

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses DRI's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the April 1999 to the July 1999 *Idaho Economic Forecasts*. The April 1999 Idaho forecast was based on DRI's March 1999 U.S. macroeconomic forecast and the July 1999 Idaho forecast is driven by DRI's June 1999 forecast.

This section reviews the differences between the current and previous *Idaho Economic Forecasts*. A look at the nominal GDP for the next few years suggests the economy has improved. But other data suggest this measure overestimated the improvement. Fueled by lower interest rates, nominal GDP is about one-half percent higher in each year of the forecast. Some of this nominal gain will be offset by higher anticipated inflation. As the table shows, all three categories of inflation are higher in each year than earlier predicted. As a result, real GDP is just slightly higher than its April 1999 counterpart in most years. Specifically, it is 0.2% higher in 1999, 0.1% stronger in 2000, and 0.5% higher in 2002. In 2001, real GDP is actually 0.1% lower than had been previously forecast. The goods-producing sector is the major beneficiary of the stronger growth. The gap between this category's employment goes from being 0.1% higher than previously forecast in 1999 to 2.2% higher in 2002. The change in U.S. real personal income is not as one-sided. U.S. real personal income is down slightly in 1999 and 2001, unchanged in 2000, and up slightly in 2002.

The outlook of Idaho's economy has also brightened, but different facets of the Gem State's economy will experience different fates. First, the future for Idaho real personal income has clearly improved; it is higher in each year than was previously forecast. This is partially due to an improved outlook for wages, which reflects a national trend. In contrast, after gaining a quick start, Idaho nonfarm employment begins to slow in the second part of this forecast and its early advantage slips. The total nonfarm employment advantage peaks at 1,169 this year, but by 2002 it is virtually zero. All of this loss can be traced to the goods-producing sector, which is weaker in each year than was previously projected. The services-producing sector's job advantage drops from a high of 2,331 in 2000 to 731 in 2002.

IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN JULY 1999 AND APRIL 1999 FORECASTS

	1998	1999	2000	2001	2002
GDP (BILLIONS)					
Current \$	0	40	50	31	95
% Difference	0.0%	0.4%	0.5%	0.3%	1.0%
1992 Chain-Weighted	0	17	9	-8	41
% Difference	0.0%	0.2%	0.1%	-0.1%	0.5%
PERSONAL INCOME - CURR \$					
Idaho (Millions)	38	221	233	243	361
% Difference	0.1%	0.8%	0.8%	0.8%	1.2%
U.S. (Billions)	1	5	24	26	76
% Difference	0.0%	0.1%	0.3%	0.3%	0.9%
PERSONAL INCOME - 1992 \$					
Idaho (Millions)	32	146	105	83	133
% Difference	0.1%	0.6%	0.4%	0.3%	0.5%
U.S. (Billions)	0	-9	-3	-11	18
% Difference	0.0%	-0.1%	0.0%	-0.2%	0.3%
TOTAL NONFARM EMPLOYMENT					
Idaho	-211	848	1,169	-58	50
% Difference	0.0%	0.2%	0.2%	0.0%	0.0%
U.S. (Thousands)	0	-276	244	235	820
% Difference	0.0%	-0.2%	0.2%	0.2%	0.6%
GOODS PRODUCING SECTOR					
Idaho	-328	-1,088	-1,162	-1,292	-681
% Difference	-0.3%	-1.0%	-1.0%	-1.1%	-0.6%
U.S. (Thousands)	0	35	269	363	532
% Difference	0.0%	0.1%	1.1%	1.5%	2.2%
SERVICE PRODUCING SECTOR					
Idaho	116	1,937	2,331	1,234	731
% Difference	0.0%	0.5%	0.5%	0.3%	0.2%
U.S. (Thousands)	0	-311	-25	-128	287
% Difference	0.0%	-0.3%	0.0%	-0.1%	0.3%
FINANCIAL MARKETS					
Federal Funds Rate	0.0	-0.1	-0.2	-0.2	-0.2
Bank Prime Rate	0.0	-0.1	-0.2	-0.2	-0.3
Mort Rate, New Homes	0.0	0.0	0.0	0.0	-0.1
INFLATION					
GDP Price Deflator	0.0	0.3	0.5	0.5	0.6
Personal Cons Deflator	0.0	0.2	0.4	0.6	0.8
Consumer Price Index	0.0	0.4	0.8	1.1	1.4

Forecast Begins the FIRST Quarter of 1999